

Mr. David Culpepper, Senior Reimbursement Analyst
Paragon Health Network, Inc.
One Ravinia Drive, Suite 1500
Atlanta, Georgia 30346

Re: AC# 3-JOL-C5 – GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period September 30, 1994 through March 31, 1995. That report was used to set the rate covering the contract periods beginning April 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**GCI JOLLEY ACRES, INC.,
D/B/A JOLLEY ACRES HEALTHCARE CENTER
ORANGEBURG, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING APRIL 1, 1995
AC# 3-JOL-C5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING APRIL 1, 1995	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 1, 1995 THROUGH SEPTEMBER 30, 1995	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS OCTOBER 1, 1995 THROUGH SEPTEMBER 30, 1996	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 1995 FOR THE CONTRACT PERIOD APRIL 1, 1995 THROUGH SEPTEMBER 30, 1995	C-1	6
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 1995 FOR THE CONTRACT PERIODS OCTOBER 1, 1995 THROUGH SEPTEMBER 30, 1996	C-2	8
ADJUSTMENT REPORT	1	10
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD APRIL 1, 1995 THROUGH SEPTEMBER 30, 1995	2	15
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS OCTOBER 1, 1995 THROUGH SEPTEMBER 30, 1996	3	17

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center, for the contract periods beginning April 1, 1995 and for the six month cost report period ended March 31, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

JOLLEY ACRES HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning April 1, 1995
AC# 3-JOL-C5

	<u>04/01/95-</u> <u>09/30/95</u>	<u>10/01/95-</u> <u>09/30/96</u>
Interim reimbursement rate (1)	\$62.97	\$64.37
Adjusted reimbursement rate	<u>62.68</u>	<u>64.05</u>
Decrease in reimbursement rate	\$ <u>.29</u>	\$ <u>.32</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

JOLLEY ACRES HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-JOL-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.98	\$25.38	\$42.58	\$25.38
Dietary	<u>.65</u>	<u>7.91</u>	<u>9.23</u>	<u>7.91</u>
Subtotal	<u>\$3.63</u>	33.29	51.81	33.29
Laundry/Housekeeping/Maint.	\$1.01	5.36	6.75	5.36
Administration & Med. Rec.	<u>-</u>	<u>7.65</u>	<u>7.22</u>	<u>7.22</u>
Subtotal	<u>\$1.01</u>	46.30	<u>\$65.78</u>	45.87
<u>Costs Not Subject to Standards:</u>				
Utilities		2.08		2.08
Special Services		-		-
Medical Supplies & Oxy.		2.53		2.53
Taxes and Insurance		1.17		1.17
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$52.08</u>		51.65
Inflation Factor (4.50%)				2.32
Cost of Capital				6.66
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.01
Cost Incentive - For Gen. Serv. & Dietary				3.63
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(3.14)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$62.68</u>

JOLLEY ACRES HEALTHCARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1995 Through September 30, 1996
 AC# 3-JOL-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.54	\$25.65	\$50.61	\$25.65
Dietary	<u>.71</u>	<u>7.99</u>	<u>10.19</u>	<u>7.99</u>
Subtotal	<u>\$4.25</u>	33.64	60.80	33.64
Laundry/Housekeeping/Maint.	\$1.08	5.41	7.17	5.41
Administration & Med. Rec.	<u>-</u>	<u>7.73</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$1.08</u>	46.78	<u>\$75.55</u>	46.63
<u>Costs Not Subject to Standards:</u>				
Utilities		2.10		2.10
Special Services		-		-
Medical Supplies & Oxy.		2.56		2.56
Taxes and Insurance		1.18		1.18
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$52.62</u>		52.47
Inflation Factor (6.30%)				3.31
Cost of Capital				6.77
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.08
Cost Incentive - For Gen. Serv. & Dietary				4.25
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.83)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$64.05</u>

JOLLEY ACRES HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-JOL-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$279,671	\$ -	\$ 750 (3) 1,372 (4) 60 (4) 3,120 (5) 234 (5) 4,132 (6) 305 (6) 11,016 (7) 1,211 (13)	\$257,471
Dietary	81,626	-	206 (4) 519 (5) 686 (6)	80,215
Laundry	13,442	-	43 (4) 131 (5) 157 (6)	13,111
Housekeeping	22,746	167 (10)	49 (4) 229 (5) 294 (6) 171 (12)	22,170
Maintenance	19,734	143 (10)	31 (4) 101 (5) 145 (6) 146 (12) 390 (13)	19,064
Administration & Medical Records	79,062	6,858 (7) 254 (10)	1,305 (3) 113 (4) 385 (5) 10 (5) 502 (6) 29 (6) 401 (12) 5,817 (13)	77,612
Utilities	21,150	155 (10)	154 (12) 45 (13)	21,106

JOLLEY ACRES HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-JOL-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Special Services	-	-	-	-
Medical Supplies & Oxygen	27,528	-	1,283 (3) 593 (8)	25,652
Taxes & Insurance	12,992	89 (10)	707 (12) 536 (13)	11,838
Legal Fees	-	-	-	-
Cost of Capital	73,713	166 (10) 1,847 (14)	1,640 (1) 52 (2) 104 (12) <u>6,338 (13)</u>	67,592
Subtotal	631,664	9,679	45,512	595,831
Ancillary	9,635	-	-	9,635
Non-Allowable	32,354	1,640 (1) 46 (2) 3,338 (3) 6,250 (6) 4,158 (7) 593 (8) 1,683 (12) <u>14,337 (13)</u>	6 (5) 974 (10) 1,847 (14)	61,572
Total Operating Expenses	<u>\$673,653</u>	<u>\$41,724</u>	<u>\$48,339</u>	<u>\$667,038</u>
TOTAL PATIENT DAYS	<u>*10,761</u>	<u>-</u>	<u>618 (16)</u>	<u>10,143</u>

*Adjusted to 98% occupancy

TOTAL BEDS 60

JOLLEY ACRES HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-JOL-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$279,671	\$ -	\$ 750 (3) 1,372 (4) 60 (4) 3,120 (5) 234 (5) 4,132 (6) 305 (6) 11,016 (7) 1,211 (13)	\$257,471
Dietary	81,626	-	206 (4) 519 (5) 686 (6)	80,215
Laundry	13,442	-	43 (4) 131 (5) 157 (6)	13,111
Housekeeping	22,746	167 (11)	49 (4) 229 (5) 294 (6) 171 (12)	22,170
Maintenance	19,734	143 (11)	31 (4) 101 (5) 145 (6) 146 (12) 390 (13)	19,064
Administration & Medical Records	79,061	6,858 (7) 255 (11)	1,305 (3) 113 (4) 385 (5) 10 (5) 502 (6) 29 (6) 401 (12) 5,817 (13)	77,612
Utilities	21,150	155 (11)	154 (12) 45 (13)	21,106

JOLLEY ACRES HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-JOL-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Special Services	-	-	-	-
Medical Supplies & Oxygen	29,495	-	1,283 (3) 593 (8) 1,967 (9)	25,652
Taxes & Insurance	12,992	89 (11)	707 (12) 536 (13)	11,838
Legal Fees	-	-	-	-
Cost of Capital	74,444	166 (11) 1,460 (15)	1,640 (1) 52 (2) 104 (12) <u>6,338 (13)</u>	67,936
Subtotal	634,361	9,293	47,479	596,175
Ancillary	7,668	-	-	7,668
Non-Allowable	31,624	1,640 (1) 46 (2) 3,338 (3) 6,250 (6) 4,158 (7) 593 (8) 1,967 (9) 1,683 (12) <u>14,337 (13)</u>	6 (5) 975 (11) 1,460 (15)	63,195
Total Operating Expenses	<u>\$673,653</u>	<u>\$43,305</u>	<u>\$49,920</u>	<u>\$667,038</u>
TOTAL PATIENT DAYS	<u>*10,650</u>	<u>-</u>	<u>611 (17)</u>	<u>10,039</u>

*Adjusted to 97% occupancy

TOTAL BEDS 60

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-JOL-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,992	
	Nonallowable	1,640	
	Other Equity		\$ 1,992
	Cost of Capital		1,640
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Loan Cost	6	
	Nonallowable	46	
	Cost of Capital		52
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304		
3	Nonallowable	3,338	
	Restorative		750
	Medical Records		1,305
	Medical Supplies		1,283
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
4	Retained Earnings	1,874	
	Nursing		1,372
	Restorative		60
	Dietary		206
	Laundry		43
	Housekeeping		49
	Maintenance		31
	Administration		113
	To properly charge salaries and related benefits applicable to the prior period HIM-15-1, Section 2302.1		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-JOL-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Accrued PTO	4,735	
	Nursing		3,120
	Restorative		234
	Dietary		519
	Laundry		131
	Housekeeping		229
	Maintenance		101
	Administration		385
	Medical Records		10
	Nonallowable		6
	To adjust PTO accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
6	Nonallowable	6,250	
	Nursing		4,132
	Restorative		305
	Dietary		686
	Laundry		157
	Housekeeping		294
	Maintenance		145
	Administration		502
	Medical Records		29
	To adjust workers' compensation expense to allowable HIM-15-1, Section 2304		
7	Medical Records	6,858	
	Nonallowable	4,158	
	Restorative		11,016
	To reclassify salaries and related benefits to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
8	Nonallowable	593	
	Medical Supplies		593
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-JOL-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Medical Supplies	1,967	1,967
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
10	Housekeeping	167	
	Maintenance	143	
	Administration	254	
	Utilities	155	
	Taxes and Insurance	89	
	Cost of Capital	166	
	Nonallowable		974
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract period 4/1/95-9/30/95)		
11	Housekeeping	167	
	Maintenance	143	
	Administration	255	
	Utilities	155	
	Taxes and Insurance	89	
	Cost of Capital	166	
	Nonallowable		975
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-JOL-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable	1,683	
	Housekeeping		171
	Maintenance		146
	Administration		401
	Utilities		154
	Taxes and Insurance		707
	Cost of Capital		104
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Nonallowable	14,337	
	Nursing		1,211
	Maintenance		390
	Administration		5,817
	Utilities		45
	Taxes and Insurance		536
	Cost of Capital		6,338
	To adjust home office cost allocation to allowable HIM-15-1, Sections 2304 and 2150		
14	Cost of Capital	1,847	
	Nonallowable		1,847
	To adjust cost of capital to allowable State Plan, Attachment 4.19D (This adjustment applies only to the contract period 4/1/95-9/30/95)		
15	Cost of Capital	1,460	
	Nonallowable		1,460
	To adjust cost of capital to allowable State Plan, Attachment 4.19D (This adjustment applies only to the contract periods 10/1/95-9/30/96)		

JOLLEY ACRES HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-JOL-C5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
16	<u>Memo Adjustment</u> To decrease total patient days by 618 to 10,143 (This adjustment applies only to the contract period 4/1/95-9/30/95)		
17	<u>Memo Adjustment</u> To decrease total patient days by 611 to 10,039 (This adjustment applies only to the contract periods 10/1/95-9/30/96)		
	TOTAL ADJUSTMENTS	<u>\$54,733</u>	<u>\$54,733</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1995
 For the Contract Period April 1, 1995 Through September 30, 1995
 AC# 3-JOL-C5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.8981</u>	<u>1.8981</u>	
Deemed Asset Value (Per Bed)	29,644	29,644	
Number of Beds	<u>40</u>	<u>20</u>	
Deemed Asset Value	1,185,760	592,880	
Improvements Since 1981	174,078	7,206	
Accumulated Depreciation at 3/31/95	<u>(390,856)</u>	<u>(9,046)</u>	
Deemed Depreciated Value	968,982	591,040	
Market Rate of Return	<u>0.075</u>	<u>0.075</u>	
Total Annual Return	72,674	44,328	
Numbers of Days in Period	<u>183/365</u>	<u>148/365</u>	
Adjusted Annual Return	36,437	17,974	
Return Applicable to Non-Reimbursable Cost Centers	(279)	(135)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	36,158	17,839	
Depreciation Expense	6,858	6,553	
Amortization Expense	66	222	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(53)</u>	<u>(51)</u>	<u>Total</u>
Allowable Cost of Capital Expense	43,029	24,563	\$67,592
Total Patient Days (Minimum 98% Occupancy)	<u>7,405</u>	<u>2,738</u>	<u>10,143</u>
Cost of Capital Per Diem	\$ <u>5.81</u>	\$ <u>8.97</u>	\$ <u>6.66</u>

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1995
 For the Contract Period April 1, 1995 Through September 30, 1995
 AC# 3-JOL-C5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.83</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>6.02</u>	\$ <u>8.97</u>
Reimbursable Cost of Capital Per Diem		\$ 6.66
Cost of Capital Per Diem		<u>6.66</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1995
 For the Contract Periods October 1, 1995 Through September 30, 1996
 AC# 3-JOL-C5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.9778</u>	<u>1.9778</u>	
Deemed Asset Value (Per Bed)	30,889	30,889	
Number of Beds	<u>40</u>	<u>20</u>	
Deemed Asset Value	1,235,560	617,780	
Improvements Since 1981	174,078	7,206	
Accumulated Depreciation at 3/31/95	<u>(390,856)</u>	<u>(9,046)</u>	
Deemed Depreciated Value	1,018,782	615,940	
Market Rate of Return	<u>0.072</u>	<u>0.072</u>	
Total Annual Return	73,352	44,348	
Numbers of Days in Period	<u>183/365</u>	<u>148/365</u>	
Adjusted Annual Return	36,776	17,982	
Return Applicable to Non-Reimbursable Cost Centers	(282)	(135)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	36,494	17,847	
Depreciation Expense	6,858	6,553	
Amortization Expense	66	222	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(53)</u>	<u>(51)</u>	<u>Total</u>
Allowable Cost of Capital Expense	43,365	24,571	\$67,936
Total Patient Days (Minimum 97% Occupancy)	<u>7,329</u>	<u>2,710</u>	<u>10,039</u>
Cost of Capital Per Diem	\$ <u>5.92</u>	\$ <u>9.07</u>	\$ <u>6.77</u>

JOLLEY ACRES HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1995
 For the Contract Periods October 1, 1995 Through September 30, 1996
 AC# 3-JOL-C5

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.18</u>	<u>\$9.07</u>
Reimbursable Cost of Capital Per Diem		\$6.77
Cost of Capital Per Diem		<u>6.77</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>